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THE NEW ERA OF TRANSPORTATION

An Address before the
Annual Meeting of
The National Industrial
Traffic League

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The New Era in Transportation

Mr. President and Gentlemen:

I am deeply sensible of the honor conferred upon me by your invitation to be a guest of The National Industrial Traffic League this evening, but am persuaded to address you **only** by the assurance that I am in the house of my friends.

The first Chapter of the railroad history of this nation began with the period of initial development, when every section of the country clamored for railroads, without questioning the terms upon which they could be obtained or the rates that would be charged for their service, and when every inducement and encouragement to invest capital in railroad enterprise was offered by the State and National Governments; it ended when the anxiety for railroad facilities had been sufficiently satisfied to become outweighed by a greater interest in the cost of transportation, and a determination to eradicate the evils of exploitation and discrimination which had grown up, and to be superseded by a new conception of the obligations of common carriers and the regulation to which they should be subjected.

The Second Chapter is a record of restrictive legislation which was primarily designed to correct and prevent the evils which had come into existence, but which in its subsequent development and administration became so punitive and repressive as to discourage enterprise; repel the investment of capital, and retard railroad expansion.

The Third Chapter records the seizure of the railroads for the avowed purpose of facilitating partici-

pation in the World War, and the history of their operation by the Government, which is fresh in your memories.

In an address delivered to the Traffic Club of New York, after the armistice, two years ago, it was my privilege to draw attention to the pursuits of peace by classifying the future operation of our transportation systems as one of the most important problems of reconstruction. My interpretation of public sentiment was that any benefits which had accrued during Federal control were entirely outweighed by the handicaps attributable to the elimination of competition; that the paramount desire of the public was a restoration of the benefits of reasonable competition in rates and service; the recognition of the shipper's right to route his freight; the revival of the courtesy and accommodation which are born of individual initiative and competitive endeavor; and an impartial consideration of rates by the Interstate Commerce Commission, which would be fair alike to shippers and carriers. It was pointed out that the elimination of competition had been the avowed policy of the Director General of Railroads, and was inherent in Government ownership or any other form of unified control and operation which had ever been proposed. My hearers were reminded of the significance of the seizure of the ocean cables after an armistice had been concluded, and were warned against the propaganda which had already begun in favor of continuing Governmental control of the railroads after the accomplishment of the avowed purpose for which they were taken over. The question was asked why should Governmental operation be continued for twenty-one months after the proclamation of peace, or, for any longer period of time than necessary to restore the railroads to individual management in an orderly way. It was asserted that the longer the transporta-

tion lines were continued under unified control and operation the more completely their individualities would be obliterated, their organizations disrupted, and their credit impaired. The view was therefore expressed that if unified control was not to be prolonged for exploitation by the advocates of Government ownership the situation required prompt, concerted and vigorous action by the public, and the people were urged to awaken to their responsibility with the assurance that both the President and the Congress would respond to an unmistakable expression of public sentiment. The necessity was also urged of such comprehensive legislation as would assure the future development of the railroads as useful instrumentalities of commerce, and the suggestion made that such legislation should provide a tribunal to deal with wages, hours, and working conditions of employes, and contain a mandate to the Interstate Commerce Commission to readjust rates contemporaneously with readjustments of wages.

Whether this call to arms had any influence upon subsequent developments is not material. The National Industrial Traffic League promptly inaugurated an intelligent and forceful campaign for the early relinquishment of the railroads by the Government, and the enactment of adequate legislation for their future protection and operation. In this campaign you were joined by the Traffic Club of New York and the other traffic clubs of the country, as well as by substantially all of the commercial organizations of the country, and it never relaxed until the requisite legislation had been enacted by Congress and the railroads had been returned to private management.

When the railroads were returned their credit was impaired; their net earnings barely more than sufficient to pay their operating expenses and wholly insufficient to meet their fixed charges; their organ-

izations had been disrupted; their equipment was scattered throughout the country, and was badly in need of repair; their traffic was congested; their service was indifferent, and the efficiency of labor had been reduced to a minimum.

These were the prevailing conditions when the enactment of the Transportation Act of 1920 brought us to the **Fourth Chapter** of our railroad history, which is "**The New Era of Transportation.**" Upon its threshold stood the members of the Interstate Commerce Commission, facing a new and constructive railroad policy, which, as stated by Commissioner McChord from the bench in the recent rate case, had revolutionized regulatory legislation affecting the railroad industry, by recognizing the paramount interest of the public to be the provision of adequate transportation. Beside them stood the railroad officers, looking into the future with hope, confidence and courage; and beside them stood the users of the railroads in confident expectation of the benefits to accrue to the commerce of the country. It was clear that all were facing in the same direction—mutually appreciating that the paramount purpose of the law could be accomplished only by the cooperation of all the parties.

The restoration of railroad credit by the enactment of the Transportation Act and the pursuit of a more reasonable and enlightened policy of regulation must be accepted as putting the chief responsibility upon the carriers to accomplish the results which the new national policy was designed to achieve.

WHAT RETURN TO PRIVATE MANAGEMENT HAS ACCOMPLISHED

Therefore, it is timely to answer the query to what extent have the carriers met their responsibility and the shippers realized their expectations?

First: The benefits of competition in rates and service have been restored; your right to route your freight is again respected; individual initiative, courtesy and accommodation have been revived; provision has been made for adjustment of wages and labor disputes which discourages future strikes without preventing them by making them unnecessary; and an impartial consideration of rates, fair alike to shippers and carriers, is again assured.

Second: Realizing that the business of the country could not wait for the delivery of new power and equipment and the expansion of facilities, the railroads undertook to substantially increase the efficiency of the existing plant, and the result may be briefly stated in this way:

(a) On the first of March there were 8404 unserviceable freight locomotives, which represented 28.3% of the total number owned, while there are now only 6118 locomotives unserviceable, which represents but 17.8% of the total number owned.

(b) In February of this year each freight car was moved a daily average of 22.3 miles, while in August each freight car was moved a daily average of 27.4 miles—an increase in efficiency of 23%.

(c) In February of this year the average load per car was 28.3 tons, while in August the average load per car was 29.8 tons—an increase in efficiency of 5%.

These increases in efficiency had the effect of adding more than 600,000 cars to the available equipment of the country, so that in August of this year **more freight was handled by the railroads than in any previous August in our history of transportation;** and you will have observed the recent public statement of Interstate Commerce Commissioner Aitchison that the back-bone of the car shortage has been broken.

Third: During the first six months of private management the restoration and maintenance of existing equipment has cost \$792,000,000, and during the same period \$569,000,000 were expended for maintenance of way and structures, or, in other words, for putting the physical property in condition to perform more efficient freight and passenger service.

Fourth: On the first of January, 1920, locomotive builders had on their books orders for 99 locomotives. Notwithstanding the extraordinary prices which have prevailed, and notwithstanding that the cost of borrowing money has substantially exceeded the maximum rate of return allowed the railroads by the provisions of the Transportation Act, **the American and Canadian railroads** together have since ordered 1770 locomotives at a cost of \$106,000,000; they have ordered 73,593 freight cars, at a cost of \$221,000,000; and they have ordered 997 passenger cars at a cost of \$23,000,000—making an aggregate expenditure for power and equipment of \$350,000,000.

Fifth: After the railroads had been taken over by the Government, but were still being operated by their former officers as agents of the Government, some of the railroad executives initiated a movement to abolish off-line traffic agencies in the belief that their continuance would not be countenanced by the Government under a unified system of operation. It was my privilege to establish the contention that no such action was required by the proclamation of the President or by any orders which had been issued or expressions which had been made up to that time by the Director General of Railroads, and to sustain this contention by announcing the purpose of the Southern Pacific Lines to continue all of such agencies. Later, when the operation of the railroads had been taken out of the hands of their officers, and the abolish-

ment of off-line agencies was taken up for consideration by the Railroad Administration, every influence at my command was exerted to prevent the step being taken, believing not only that it would be a grave injustice to the men composing these organizations, many of whom had spent their whole business lives in the service, but that the shippers would be deprived of one of their most useful mediums of daily intercourse with the carriers and would be seriously inconvenienced. Persuasion and argument availed nothing, and I have always believed that the removal of these cushions between the railroads and their patrons was one of the most serious and far-reaching mistakes of judgment and political expediency made by the Railroad Administration. Therefore, some lines even anticipated the return of the railroads on March 1st by re-organizing their off-line traffic agencies to be ready to function on that date; others re-organized their forces during the next six months, and still others after the expiration of the guaranty period, so that the recruited forces now in the field have restored to their patrons a convenient medium of intercourse and accommodation.

Sixth: Freight train schedules have been materially improved and are better maintained.

Seventh: Daily merchandise cars have been extensively re-established.

Eighth: Systematic passing reports to shippers are being rapidly restored.

Ninth: Passenger train service will soon be as satisfactory to the public as it was prior to Federal control.

Tenth: Re-organization of the tariff bureaus and creation of necessary expert rate committees and administrative committees to deal with readjust-

ments and meet the current traffic problems of shippers and carriers have been accomplished. Besides the passenger organizations, which it is unnecessary to enumerate, we now have in the West the Transcontinental Freight Bureau, the Southwestern Freight Bureau, The Western Trunk Line Freight Bureau and the Western Classification Committee; in the South the Southern Freight Rate Committee and the Southern Classification Committee; and in the East the Trunk Line Committee, the Central Freight Committee, the New England Committee, and the Official Classification Committee—which embrace standing rate committees, composed of experts who have no connection with individual lines, thereby assuring every rate proposition receiving the benefit of expert analysis and unbiased judgment, which ought to be of incalculable benefit to the shippers of the country as a whole.

In addition to these there are two national committees—one being the Consolidated Classification Committee, composed of members of the three territorial classification committees, who are charged with the responsibility of ultimately unifying the classifications; the other the National Perishable Freight Committee, composed of men who have been trained in the protection of perishable freight from the elements, and a chairman, whose exclusive time is to be devoted to the perfection and coordination of rates, rules and practices affecting perishable freight, and the consideration of every proposition submitted by shippers in connection therewith.

The standing rate committees are not clothed with any power to make rates; it is their duty to give every proposition the benefit of expert analysis and make their recommendations to the traffic officers of individual lines to guide them in their conclusions, so that the organizations are thus safeguarded from

the dangers of bureaucracy, and the full right of individual action is reserved to every line.

Recognizing the necessity of coordinating the activities of these organizations and of dealing with interterritorial and nation-wide traffic propositions and principles which affect the entire country, traffic executive committees have been created in each of the three territorial subdivisions of the country—the Eastern Committee with Mr. George H. Ingalls as Chairman; the Southern Committee with Mr. Lincoln Green as Chairman; and the Western Committee with your humble servant as Chairman. In turn, an executive committee of the Consolidated Classification Committee is composed of five delegates each from these three traffic executive committees; and the National Perishable Freight Committee is under the administrative direction of a committee consisting of the chairmen of the Eastern, Southern and Western Executive Committees.

These organizations, we believe, provide the most competent, convenient and expeditious machinery that can be created to deal with the traffic problems of shippers and carriers.

PUBLIC OPINION VINDICATED

Gentlemen, if there has been any failure to thus far accomplish anything which should have been accomplished since the return of the railroads to their owners, I am not here to excuse it by asserting that more might have been accomplished if shippers had utilized equipment more economically or efficiently. I am here to remind you that the railroads were relinquished by the Government in deference to a crystalized public opinion that, with their credit rehabilitated and fostered, and confidence restored, adequate and satisfactory service would be best assured under private management. I am here to claim that

public opinion has been already vindicated by the progress—the substantial progress—that the railroads have made under private management, in spite of their difficulties, and I am here to concede that these results could not have been obtained without the cordial cooperation of the shippers and especially of this organization.

THE NATIONAL INDUSTRIAL TRAFFIC LEAGUE

The transportation question has become a national question. The National Industrial Traffic League is a national organization. It may have been primarily created for the protection of its members in their relations with the carriers, but if there are any railroad executives or traffic officers who have failed to realize its usefulness, not only as a medium of intercourse for the carriers with the shippers, but as an invaluable agency of assistance to the carriers, they should stop and take their bearings. As a member of the executive traffic committee which met with your committee during the progress of the recent rate case, I can testify to a breadth of view and a spirit of cooperation on your part which every skeptical railroad officer should have witnessed. Therefore, it is a great pleasure to me to be the direct point of contact between your organization and the transportation systems of the country **long enough to publicly and gratefully** acknowledge the invaluable service which you have rendered to the railroads, in crystalizing public sentiment against the perpetuation of Governmental operation; in the passage by Congress of the most constructive transportation legislation that has ever been enacted; and in giving your affirmative support to the applications of the carriers for the increased revenue contemplated by the Transportation Act.

THE FUTURE

Now, what of the future? The mental attitude of railroad officers today was well expressed by one of our late railroad wizards when he said that while he always endeavored to avoid being dissatisfied with results that had been accomplished, he never permitted himself to be satisfied. There is still much to be accomplished by the railroads, and no organization of men is better qualified than The National Industrial Traffic League to set up the sign posts of public opinion to guide us on our way.

While the new conception of regulation as expressed by the Transportation Act has recognized adequate transportation facilities and service as the paramount necessities of the public, I am sure that the verdict of shippers in favor of private management was partly inspired by the expectation that a more business-like adjustment of rates would be promoted by private management under the inspiration of individual initiative and self-interest on the part of the several carriers and their daily contact with and intimate knowledge of commercial and industrial conditions in their respective territories.

The shippers undoubtedly realized that under private management the carriers would adjust their rates to meet the necessities of commerce, while under any system of unified Government operation the commerce of the country would have to accommodate itself to inflexible rates adjusted solely to meet revenue requirements.

While the discretion of the carriers must be exercised within the limitations of the law, every carrier is interested in stimulating the traffic of the section which it can most advantageously serve, and nearly every commodity rate is initiated by some interested line even if it becomes effective by every available

route and has the appearance of concerted action. You and I are too close to the subject to subscribe to the statement frequently made that there is no longer any competition of rates.

The traffic machinery which I have described, while subjecting rate adjustments to expert examination to avoid destructive rates or wasteful transportation—which in the last analysis becomes an unwarranted burden upon the public at large—is designed to preserve all of the benefits of individual initiative and competition among carriers.

I think that The National Industrial Traffic League should have been formally notified of the completion of our rate making machinery and supervisory traffic organizations, in order that such questions might have been brought directly to these organizations as are contained in a resolution adopted at a meeting of Western commercial organizations and shippers and receivers of freight in Chicago, October 22nd, and recently published in the *Traffic World*, to be recommended for adoption by The National Industrial Traffic League at its annual meeting, but which in the meantime has been transmitted to the Association of Railway Executives. Whether your organization has adopted or endorsed this resolution, I am not aware, but inasmuch as it has come before you it seems appropriate for me to briefly answer it in this way:

First: The part taken by the shippers in advocating important and essential provisions of the Transportation Act, and of The National Industrial Traffic League in supporting the recent application of the carriers before the Interstate Commerce Commission, are not unappreciated. I have publicly acknowledged them with an expression of gratitude.

Second: It is recognized that the recent horizontal

increase was supported by many shippers and granted by the Commission with the understanding that such readjustments as the facts might warrant would be promptly undertaken and, as far as possible, made without appeal to the Interstate Commerce Commission.

Third: It is assumed that the dissatisfaction expressed by this resolution does not apply to legitimate efforts to obtain increased revenue where it can be shown that the revenue accruing to any group of lines under the rates authorized in Ex Parte 74 is insufficient to yield the result contemplated by the Transportation Act, and that it is realized that the rate readjustments to which preferred attention is advocated cannot all be made by reductions without impairing the aggregate revenue which the authorized rates were designed to yield; but that the complaint is directed against efforts to "put over" change after change in individual rates, rules and practices which are designed solely to secure further and unauthorized increases of rates instead of proceeding with the readjustments contemplated by the carriers in their application and by the Commission in its decision. I have no knowledge of any such preconceived or concerted efforts, and if they are made at this time I consider it the duty of executive traffic officers to suppress them.

Fourth: Stated in another and more direct way, the carriers should give immediate and preferred attention to the readjustments contemplated by their application and the Commission's decision.

Fifth: So much of the resolution as protests against a continuance of the general revision of consolidated classification has been anticipated by the executive committee of the Consolidated Classification Committee, which has adopted the policy that no

action be taken at this time as to items in Appendix 6 as a whole; that the Consolidated Classification Committee shall proceed to handle in the regular way applications from shippers including such other items as may be affected by changes resulting from conferences with the shippers; and that beyond this scope no further changes shall be made by the Consolidated Classification Committee without definite approval of a plan of procedure by the executive committee.

Before becoming impatient with any delay that may ensue in the readjustments that are expected to follow the horizontal increase of rates, permit me to urge due consideration of the fact that the carriers must proceed in a prudent, business-like way, that will commend itself to the Interstate Commerce Commission which must now share the responsibility of preserving sufficient revenue to provide adequate transportation, as contemplated by the law. When you are reminded that it is yet difficult to forecast the effect upon net revenues which the Commission, under the Transportation Act, has undertaken to provide, and that readjustments involve a multitude of problems, affected by conflicting influences and conflicting forces, of which mature study is necessary, many of you gentlemen are sufficiently experienced to realize the practical obstacles that are encountered from day to day. However, it is not intended to excuse any unnecessary delay which may ensue, and you may repose confidence in the traffic officers of the railroads doing everything that is consistent and practicable to expedite equitable readjustments, for I recognize that these readjustments are entitled to preferred consideration by our rate committees and our traffic organizations.

COOPERATION BETWEEN SHIPPERS AND CARRIERS

The cooperation that has been established between The National Industrial Traffic League and the carriers must not be, and shall not be, interrupted by any effort of railroad officers to shirk the responsibility that is now imposed upon them or by any failure to be guided by considerations of public policy. In dealing with the daily traffic problems that come before them railroad officers must realize that there are conditions under which changes may be inopportune that might be unobjectionable at some other time; that they must avoid relatively unimportant but very irritating changes of existing practices, and that they must give more thought to considerations of public policy. On the other hand, it should not be assumed that railroad officers are doing nothing of this kind, as many of you know that we are preventing changes of this character when they are brought to our attention, and those of you who do know should not hesitate to inform your associates in your councils, so that an unfair or biased conclusion may not be reached.

Conscientious and competent railroad officers are stimulated by the initiative that is permissible under private management and are deeply concerned with the estimation in which they are held by the public. They realize that public opinion will hold them accountable for the fidelity and efficiency with which their duties are performed, and that railroad policy must, therefore, be subjected to the test of public approval. Therefore, they cannot overestimate the importance of a constant study and supervision of every point of contact between the carrier and its patrons; whether it be the politeness and attention of an individual employee; the considerate handling and prompt payment of a just claim; the furnishing of a car with the promptness required to meet the

shipper's needs; or the correction of an inequality, injustice or discrimination in rate adjustment. Inevitable failures to fully meet your expectations will not be due to a lack of effort on our part, and you may be assured that each discovered imperfection will stimulate us to increased endeavor toward continuous and progressive improvement.

It seems to me that the relations between The National Industrial Traffic League and the railroad officers should be conducted in a more direct and intimate way. If it be found that equipment is not being released by shippers as promptly as it might be, or that cars are not being loaded as fully as they might be, a direct or implied criticism from the housetops should not be necessary, as the shippers fully realize that their own interest in conserving the supply of equipment is really paramount, and The National Industrial Traffic League will be a ready and useful medium through which the facts may be conveyed to shippers, if brought to you in a more direct and intimate way.

Likewise, the responsible traffic officers of the railroads and the traffic executive committees which have been created will always welcome a direct expression from The National Industrial Traffic League with respect to any general policies that are being pursued or that may be under consideration, and they will do well to seek the counsel of such a representative organization.

The National Industrial Traffic League and the railroad officers of the country must not drift apart. Never has there been so much in common between the railroads and the users of the railroads, and their mutual cooperation is indispensable. If you will undertake on your part to perpetuate and strengthen this cooperation, I pledge you my support of your effort.



